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23 September 1960

MEMORANDUM FOR THE RECORD

SUBJECT: Trip Report of Visit to OXCART Suppliers

1. On 14, 15 and 16 September 1960, [REDACTED], and Pratt & Whitney at West Palm Beach, Florida. The purpose of the visit was threefold; first, to acquaint [REDACTED] with the Contractor's facility and personnel; second, to resolve current problems that existed; and, third, to negotiate agreements with Pratt & Whitney regarding pricing of the J-58 engines.

2. The first facility visited on the 14th was [REDACTED]. Some of the specific items discussed and action taken or required is as follows:

a. [REDACTED] requested approval to include direct costs under their contract such contract items as the installation of facilities being furnished by us, sterile telephones, post office box, and shipping charges. Normally, these costs are overhead charges or direct to a facility contract. However, for reasons of security and/or extremely complicated administrative procedures, approval was granted to charge them direct. [REDACTED] will forward a letter in this regard for our formal written approval. Also, prior to installing facilities, the cost of which exceed several thousand dollars, we will be notified.

b. Ground Support Equipment was discussed briefly. It appears that the equipment to be furnished by the Government has practically all been located by [REDACTED] at the Depot. The Contractor-furnished Service Costs are still undergoing certain changes. A detailed cost and delivery proposal is to be submitted within a week.

c. [REDACTED] requests that a Phase III clearance be granted [REDACTED] who is a Project Manager. [REDACTED] presently has a Phase II. Referred to Security for necessary action.

d. Spare Parts provisioning and stocking concepts were discussed and tentative agreements were reached as follows:

1. The initial provisioning would provide sufficient spares to support the systems through delivery of the last unit.

2. The spares list would indicate the types and quantities of spares to be retained at the Contractor's plant for overhaul and those to be stocked at the Depot for field support.

These agreements were subject to approval of [REDACTED] who were to visit [REDACTED] on 16 September.

e. The visit was concluded by a tour of the plant and inspection of components in process for the system.

3. On 15 September, [REDACTED] accompanied us to Pratt & Whitney. Discussions were held regarding the following items:

a. Spare Parts provisioning and stocking concepts were reviewed and it was agreed that the initial provisioning would support the engines through delivery of the last unit in December 1962. Also, the list would indicate quantities and types of parts to be retained at the factory for overhaul and those at the Depot for field support.

b. Considerable discussion was held regarding our method of contracting for repair and overhaul of equipment and replenishment of parts and equipment. We outlined our Time and Material Contract procedures and terms and the use of an Open Call Contract for replenishment. The Contractor felt that these procedures would be satisfactory. However, it was agreed by both groups that another look would be taken just prior to the necessity for such contracts.

c. Both the Contractor and [REDACTED] indicated a desire to lift the ban with regard to use of the cable communications link. This matter is being referred to Mr. Parangosky and Security for action.

d. A tour of the facility was arranged and conducted for [REDACTED]

e. The primary purpose of the visit to Pratt & Whitney was to negotiate the Definitive Contract for the production of 36 J-58 engines for the OXCART Program. The Contractor had originally proposed to furnish 36 engines on a Straight Fixed Price basis (see Contractor's letter dated 25 September 1959, OXC-0022-39). However, because of many gross uncertainties concerning the price of these engines at [REDACTED] the Project and Contractor agreed to delay definitizing until a later date when more factual cost information would be available.

On 12 August 1960, the Contractor presented at Project Headquarters to the DE/P a proposal which reflected an increase in cost of [REDACTED]. The estimated unit price was now [REDACTED] in lieu of [REDACTED]

Since the total cost now exceeded the funds available for the program it was necessary that we realign the program to offset a great loss to the Contractor.

A proposal was made to the Contractor on the basis of the one set forth in a Memo for the Record dated 18 August 1960, OHC-0802. This, in effect, reduced the quantity of YF11D-20 engines from 36 to 30, transferred [redacted] in tooling to the development contract and provided for the modification of 3 XF11D-20 engines to the YF11D-20 configuration from development spares. The total revised price we proposed to pay for this was a target of [redacted] with redetermination unlimited downward and upward to 10% or a total Ceiling Price of [redacted]

The Contractor requested that we consider using a CPFF contract for the procurement of the engines and also for the future Development Contracts. This request was made in view of their current company policy to have engineering pay its own way. This was prompted by a policy in the past that usually the Development Contracts were taken at a loss in anticipation of profits on large production quantities. However, recent trends in both air breathing and rocket engines are to small production or prototype quantities only with no subsequent recovery of losses on the development contract.

Considerable discussion was held concerning the benefits and liabilities of each type of contract and how they fit the peculiar circumstances involved in our Program. It was the opinion of the Project Representatives that the interests of both parties could be served better if the contract for the engines could be issued on a Fixed Price Redeterminable basis as mentioned above and that the development contracts continue on a Fixed Price basis.

[redacted] agreed with this concept and informed [redacted] that they were proceeding this way insofar as the J-58 Development and Production was concerned. Accordingly, it was agreed that the proposal made by the Project Representatives was acceptable and definitization of the letter contract was to proceed on this basis.

f. With regard to the Development Contract, it was learned that Pratt & Whitney was proceeding with AR Program as outlined in their original proposal. The total estimated cost is [redacted]. However, only [redacted] has been funded and approved to date. Pratt & Whitney assumed they had received approval. Action is referred to Development Branch.

SIGNED

CE/DPD-DD/P [redacted]:ccc

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